

September 26, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-19-366

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Great Plains Natural Gas Company's Gas Affordability Program (GAP) Evaluation Report
2019.

The Evaluation Report was submitted on May 31, 2019 by:

Tamie A. Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Co.
705 West Fir Ave., PO Box 176
Fergus Falls, MN, 56538-0176

The Department recommends that the Minnesota Public Utilities Commission (Commission) accept Great Plains Natural Gas Company's Evaluation Report, and approve minor tariff language amendments. The Department is available to respond to any questions the Commission may have on this matter.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rate Analyst

MNZ/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/M-19-366

I. INTRODUCTION

On May 31, 2019, Great Plains Natural Gas Co. (Great Plains or the Company) filed its fourth Gas Affordability Program (GAP or Program) Evaluation Report (Evaluation Report). The Evaluation Report includes:

- background on the Program;
- description of the Program's design, administration, and participation;
- data on the Program, based on the requirements in the Program's enabling statute;
- analysis of the Program's cost effectiveness; and
- analysis of the level and assessment of the Company's GAP surcharge.

As part of the Evaluation Report, Great Plains requests that the Minnesota Public Utilities Commission (Commission) accept the Evaluation Report. The Company also requests that the Commission maintain the current GAP surcharge rate of \$0.01393 per dekatherm (Dth).¹

II. BACKGROUND

A. GAP ENABLING STATUTE

Minn. Stat. § 216B.16, subd. 15(a), requires that the Commission "consider ability to pay as a factor in setting utility rates."

Presumably with this consideration in mind, paragraph (a) (of Minn. Stat. § 216B.16, subd. 15) also states that the Commission may require utilities to implement programs to make gas more affordable for low-income residential customers, which the statute defines as those in the low-income home energy assistance program (LIHEAP). Specifically, the statute states that:

- The Commission "may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service."
- "A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission ... [where] 'low-

¹ Evaluation Report Page 1

income residential ratepayers' means ratepayers who receive energy assistance from the low-income home energy assistance program."

Paragraph (b) sets out five requirements for gas affordability programs:

- (b) Any affordability program the commission orders a utility to implement must:
- (1) lower the percentage of income that participating low-income households devote to energy bills;
 - (2) increase participating customer payments over time by increasing the frequency of payments;
 - (3) decrease or eliminate participating customer arrears;
 - (4) lower the utility costs associated with customer account collection activities; and
 - (5) coordinate the program with other available low-income bill payment assistance and conservation resources.

Paragraph (c) gives the Commission the authority to require utilities to file GAP evaluations:

- (c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:
- (1) the percentage of income that participating households devote to energy bills;
 - (2) service disconnections; and
 - (3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

In addition, paragraph (d) states the following regarding program cost recovery and evaluation:

The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding startup costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

B. GREAT PLAINS' GAP

Great Plains' GAP came into effect on a pilot-basis on June 1, 2008 following Commission approval in a May 12, 2008 Order in Docket No. G-004/M-07-1235.²

The Program requires that, each month, participating customers do two things: first, pay their bill in full and, second, make pre-specified³ contributions to retiring their arrears.⁴ In exchange, Great Plains provides participating customers with an "Affordability Credit," which reduces participants' gas bills to four percent of their household income,⁵ and an "Arrearage Forgiveness Credit," which matches participants' arrearage-retirement contributions.⁶ If customers fail to make the required payments for two consecutive months, they are removed from the Program.⁷

Great Plains recovers the costs of the credits and administering the Program through a volumetric surcharge on firm gas customers.⁸

To assist in evaluating the Program's effectiveness, Great Plains must submit annual reports updating the Commission on how well the Program is doing in the following areas: customer payment frequency, payment amount, arrearage level, number of customers in arrears, service disconnections, retention rates, customer complaints, and utility customer collection activity. The annual reports may also assess customer satisfaction with the Program.⁹ Great Plains issued its first annual GAP report on April 10, 2009 and has issued additional annual reports in the March or April of every subsequent year. Great Plains filed its most recent annual GAP report on March 29, 2019.

Lastly, Great Plains must periodically submit to the Commission reports evaluating the effectiveness of the affordability programs in terms of the statutory requirements described above. The reports also must analyze, per Great Plains' tariff, the Program's cost-effectiveness from a ratepayer perspective.¹⁰

Great Plains submitted its first GAP evaluation report on July 2, 2012 in Docket No. G004/M-07-1235. The report contained a preliminary evaluation of the Program and requested that the Commission extend the Program to allow for a more complete analysis. The Commission granted Great Plains' request and extended the Program until December 31, 2014.¹¹

² See page 49 of the Order.

³ The amount of the customer's arrearage-retirement contribution and matching Arrearage Forgiveness Credit is "designed to retire pre-program arrears over a period of up to 24 months." See: Great Plains Minnesota Gas Rate Schedule, Original Sheet No. 5-120, under "Arrearage Forgiveness Component."

⁴ Great Plains Minnesota Gas Rate Schedule, Original Sheet No. 5-120, under "Availability" and "Description and Rate Impact for Qualifying Customers."

⁵ Great Plains Minnesota Gas Rate Schedule, Original Sheet No. 5-120, under "Affordability Component."

⁶ Great Plains Minnesota Gas Rate Schedule, Original Sheets No. 5-120 and No. 5-121, under "Arrearage Forgiveness Component."

⁷ Great Plains Minnesota Gas Rate Schedule, Original Sheet No. 5-121, under "Conditions of Service."

⁸ Great Plains Minnesota Gas Rate Schedule, 1st Revised Sheet No. 5-122, under "Funding."

⁹ Great Plains Minnesota Gas Rate Schedule, 1st Revised Sheet No. 5-122, under "Evaluation."

¹⁰ Great Plains Minnesota Gas Rate Schedule, 1st Revised Sheets No. 5-122 and 5-123, under "Evaluation."

¹¹ Commission Order dated October 15, 2012 in Docket No. G-004/M-07-1235.

Great Plains submitted its second GAP evaluation report on June 2, 2014 in Docket No. G004/M-07-1235. Unlike the first evaluation report, the second evaluation report contained a full analysis of the Program. In the evaluation report, Great Plains requested that the Commission end the Company's GAP due to low participation and the Program not being cost-effective from a ratepayer perspective.¹² The Commission accepted Great Plains' report, but denied the Company's request to terminate the Program. Instead of terminating the Program, the Commission mandated that Great Plains continue the Program on a pilot-basis through December 31, 2016, and recommended that the Company make efforts to improve the Program's efficiency and effectiveness.¹³

The Company submitted its third GAP evaluation report on June 1, 2016, and in its July 27, 2017 Order, the Commission extended the expiration date of Great Plains' pilot GAP until June 30, 2017 due to a delay in the analysis of the report. In its May 22, 2017 *Order Approving Periodic Gas Affordability Program Evaluations and Requiring Further Action* the Commission accepted Great Plains report, required the Company to change its method of reporting its GAP performance based on one-hundred percent of customers enrolled in both LIHEAP and GAP and one-hundred percent of customers only enrolled in LIHEAP, approved Great Plains' request to reinstate a GAP surcharge at a rate of \$0.01393 per Dth, required the Company to continue its GAP program with no expiration date, and to join a stakeholder group to evaluate whether changes should be implemented to the GAP program. Ultimately the stakeholder group did not recommend any changes but proposed to streamline the annual reporting using a form developed by the Department. The Commission accepted the stakeholder report and adopted its recommendations in its September 28, 2018 Order.

III. DEPARTMENT ANALYSIS

This section reviews the Program's performance in two areas:

- The five statutory requirements described above; and
- Cost-effectiveness, from both a ratepayer and societal perspective.

In addition, the Department discusses the Program's tracker balance and an analysis of Program enrollment. The Department notes that Great Plains did not provide any narrative related to how the Company meets any of the statutory requirements. The Department recommends that in future GAP evaluation reports that the Company provide a brief discussion on each of the statutory requirements, and how the Company's GAP satisfies those requirements, in addition to the data it has provided in the instant docket.

¹² Great Plains GAP evaluation report dated June 2, 2014, Docket No. G004/M-07-1235, page 9.

¹³ Commission Order dated November 26, 2014 in Docket No. G004/M-07-1235.

A. STATUTORY REQUIREMENTS

Great Plains' Evaluation Report does not include an analysis of how the Company's GAP fulfills the statutory requirements. The Evaluation Report does include Program data in a table as Exhibit A. The Department's analysis below is based on Great Plains' Exhibit A.

1. Lower the percentage of income that participating low-income households devote to energy bills

Minn. Stat. § 216B.16, subd. 15(b)(1) states that gas affordability programs must lower the percentage of income that participating low-income households devote to energy bills.

Great Plains' Analysis

Great Plains stated that the affordability and arrears forgiveness portion of the GAP provide bill credits to reduce GAP participants' energy costs, and thus if participant costs go down the statutory requirement to lower the percentage of income participants devote to energy bills has been met.

Department Analysis

The Department reviewed Great Plains' Exhibit A and notes that the average total benefit per participant was \$159 for 2018. Since the Company's GAP reduces participants' bills, assuming no change in the participants' income levels and other energy bills, this program meets the statutory requirement by definition. The variable in the requirement is a function of three items: participants' gas bills, other energy bills, and income. Great Plains' GAP reduces one of those items: participants' gas bills. Assuming the other two items do not change (which is reasonable since Great Plains has no control over them) the Program will lower the percentage of income that participants devote to energy bills.

2. Increase participating customer payments over time by increasing the frequency of payments

Minn. Stat. § 216B.16, subd. 15(b)(2) states that gas affordability programs must increase participating customer payments over time by increasing the frequency of payments.

Great Plains' Analysis

In accordance with the Commissions May 22, 2017 Order¹⁴ the Company presented data in Exhibit A comparing both the payment frequency and payment amounts for GAP participants in 2018 to that of LIHEAP non-GAP customers, GAP participants prior to their enrollment into the Program, and non-

¹⁴ Commission Order dated May 22, 2017 in Docket No. G008/GR-16-495

LIHEAP residential customers. The data presented shows that GAP participants' payments increased, both in frequency of bills payed and dollars paid, compared to non-GAP LIHEAP participants and compared to GAP participants prior enrollment in GAP.

Department Analysis

The Department reviewed Great Plains' Exhibit A and concludes that the data indicates that GAP increases the payment frequency of participating customers. The Department concludes that the Program satisfies this statutory requirement. The Company's data shows that participating customers' payments have, on average, increased after entering the Program.

3. Decrease or eliminate participating customer arrears

Minn. Stat. § 216B.16, subd. 15(b)(3) states that gas affordability programs must decrease or eliminate participating customer arrears.

Great Plains' Analysis

Tables 1 and 2 below summarize the relevant data from Great Plains' Exhibit A.

Table 1: Average Arrears of GAP Participants

	Prior to Enrollment	After Enrollment
2016	\$133.41	\$112.78
2017	\$102.58	\$310.00
2018	\$138.37	\$212.77

Table 2: Percent of GAP Participants in Arrears

	Prior to Enrollment	After Enrollment
2016	38%	10%
2017	30%	26%
2018	48%	20%

With the exception of 2016, average arrears have decreased for customers in the program, and GAP participation has decreased the percentage of GAP customers in arrears.

Department Analysis

The Department reviewed Great Plains' Exhibit A and concludes that the data indicates that the GAP program is decreasing customer arrears. However, given the increase in arrears in 2016, the Department requests that Great Plains provide any explanation or insight it may have as to why arrears increased for GAP participants in 2016 compared to before those customers entered the program.

4. Lower the utility costs associated with customer account collection activities

Minn. Stat. § 216B.16, subd. 15(b)(4) states that gas affordability programs must lower the utility costs associated with customer account collection activities.

Great Plains' Analysis

Great Plains provided some data on disconnections and briefly stated that the program “reduced collections by increasing p[a]ym[en]ts.” The Company provided disconnection data showing that GAP participants are generally disconnected less often than non-GAP LIHEAP customers.

Table 3: Percent Disconnected

	GAP Participants	Non-GAP LIHEAP Customers
2016	4%	11%
2017	5%	12%
2018	4%	14%

Related to the rate of disconnections, Table 2 on page 7 of the Evaluation Report lists GAP savings; Great Plains stated that the Company’s GAP saved \$3,170 in disconnections/reconnection costs and \$564 in collection activities in 2018.

Department Analysis

While the savings are relatively insignificant, the Department concludes that Great Plains’ GAP has minimally met the statutory requirement to reduce costs associated with collection activities.

However, the Company’s data also shows that in 2017 and 2018 more GAP participants were disconnected after they entered the program than before. This reveals a potential minor weakness in the pre-program baseline method for evaluating this particular statutory criterion. Specifically a customer does not have to have been disconnected prior to entering the GAP program. Thus, while the GAP program might indeed reduce disconnections overall, it might not necessarily reduce disconnections for customers who had not been disconnected prior to being on the GAP program.

Based on the overall reduction in disconnections, the cost reduction in collection activities, and giving less weight to the mixed results concerning disconnection percentages for the GAP cohort customers, the Department concludes that the program satisfies the requirement that Great Plains’ GAP lower utility costs related to customer account collection activities.

5. Coordinate the program with other available low-income bill payment assistance and conservation resources

Minn. Stat. § 216B.16, subd. 15(b)(5) states that gas affordability programs must coordinate with other available low-income bill payment assistance and conservation resources.

Great Plains' Analysis

Great Plains summarized its outreach efforts noting that the application was posted on both the Company's and the Salvation Army's websites. Great Plains also sent direct mailings to LIHEAP customers and to all customers during some months, and discussed the program with customers that called in with credit concerns and those applying for Cold Weather Rule protection. Additionally the Company stated in Exhibit A that information on its coordination with other programs was included in its GAP report filed on March 29, 2019 in Docket No. G004/M-19-247 where the Company indicated that it coordinates with all agencies that provide bill payment assistance in its service territory.

Department Analysis

Based on Great Plains' statements, it appears that the Company has indeed coordinated the Program with other available low-income bill payment assistance and conservation resources, and therefore satisfies this statutory requirement.

B. COST-EFFECTIVENESS

Great Plains' GAP tariff states that the Evaluation Report must include a "cost-effectiveness analysis from a ratepayer perspective" that compares the program's costs and savings to ratepayers. The tariff defines costs and savings as follows:

- Costs: program administration and credits;
- Savings: reductions in collection activities, reductions in disconnections/reconnections, and cost savings from impacts on write-offs.

The cost-effectiveness analysis requires estimating the dollar amounts of the costs and savings as defined, where any difference results in "either a net benefit or a net cost to ratepayers."¹⁵

The Evaluation Report includes the ratepayer cost-effectiveness analysis required by their GAP tariff. The Evaluation Report also acknowledges that there are costs and benefits from a societal perspective, though analysis of these is not required in their GAP tariff.

¹⁵ Great Plains Minnesota Gas Rate Schedule, Section No. 5, 1st Revised Sheet No. 5-122 and 5-123.

1. Ratepayer perspective

As noted above, Great Plains' GAP tariff requires that Great Plains' evaluate the Program from a ratepayer perspective.

Great Plains' Analysis

Great Plains found that the Program's cost to ratepayers, net of savings, was \$11,261 in 2016, \$12,996 in 2017, and \$50,260 in 2018. The costs in the Company's calculation included the expense of administering the Program and paying the credits; and the savings included lowered expenses from write-offs, disconnections/reconnections, and collection activities. Great Plains indicated that the net costs increased for 2018 due to a jump in participation in the program and a large increase in the amount of affordability credits given. In 2018, \$37,778 of the annual net cost came from the credits themselves.¹⁶

In Footnote 3 in the Evaluation Report, Great Plains requested a waiver from the requirement in its GAP tariff to conduct a discounted cash flow analysis when evaluating the cost-effectiveness of the Company's GAP from a ratepayer perspective. In support of its request, Great Plains stated that a DCF analysis is not necessary to evaluate the GAP's cost-effectiveness, and noted that internal resources are allocated to support the Program. Further, Great Plains stated that "the dollars collected closely matched the dollars distributed in program year 2018." The Company concluded that granting a waiver would not adversely affect the public interest or conflict with any standards imposed by law.

Department Analysis

The Department notes that Great Plains' tariff language mirrors the language of other utilities' GAP tariffs that had been approved prior to the Commission's approval of Great Plains' GAP.¹⁷ In the proceeding in which the Company's GAP tariff was approved (G004/M-07-1235), the Department noted the language consistency, and therefore concluded that the Company's evaluation proposal was reasonable.

Under Minnesota Rules pt. 7829.3200, subp. 3 a variance automatically expires in one year unless ordered by the Commission. Minn. Rules pt. 7829.3200, subp. 1 states that the Commission shall grant a variance when the following conditions have been met:

¹⁶ Numbers based on Table 2 on page 7 of the Evaluation Report.

¹⁷ The five Minnesota gas utilities and associated dockets for which the Commission originally approved gas affordability programs are as follows:

- CenterPoint Energy Resources Corporation, in Docket No. G008/GR-05-1380;
- Northern States Power Company, in Docket No. G002/GR-06-1429;
- Minnesota Energy Resources Corporation, in Docket No. G007,011/M-07-1131;
- Interstate Power and Light Company, in Docket No. G001/M-07-1295.

1. enforcement of the rule would impose an excessive burden upon the applicant or other affected by the rule;
2. granting the variance would not adversely affect the public interest; and
3. granting the variance would not conflict with standards imposed by law.

While Great Plains' request to waive the tariff requirement is not a request to vary Minnesota Rules, the Department believes the conditions of Minnesota Rules pt. 7829.3200, subp. 3 are appropriate to apply to the waiver request. The Department agrees with the Company that providing a full DCF analysis appears to be unnecessary and would constitute an excessive burden on the Company.

Additionally as the data the Company provided in the Evaluation Report is sufficient for the Department to analyze the filing, granting such a variance would not adversely affect the public interest. Finally, the Department is not aware of any conflict with standards imposed by law. As such the Department concludes that it is reasonable to grant the Company's requested variance.

Moving forward the Department also believes it would be reasonable to alter Great Plains' tariff language to require the level of analysis they have provided in the Evaluation Report, rather than a DCF analysis. Specifically the Department recommends the following change to the Company's tariff language:

The financial evaluation will include a ~~discounted cash flow~~ of the GAP cost-effectiveness analysis from a ratepayer perspective comparing the 1) total GAP costs, which includes the Affordability component, Arrearage Forgiveness component and total company incurred administration costs, to 2) the total net savings including cost reductions on utility functions such as the impact of the GAP on write-offs, service disconnections and reconnections and collections activities.

As to the analysis provided by the Company, it is important to note that Great Plains' cost-effectiveness analysis from the perspective of a large, but specific group of ratepayers: those not participating in the Program (and therefore not receiving any credits) but paying for the Program through Great Plains' GAP rider. However, since a subset of ratepayers - GAP participants - are receiving the credits, the credits are not a cost to that subset of customers, but a benefit. Similarly, there is no Program cost for those customers not paying for it under the GAP rider. As such, the annual net cost represents the net cost to a large, specific group of ratepayers. Therefore, Great Plains' analysis reflects a modified ratepayer perspective; that is, modified to exclude the ratepayers benefitting from and/or not paying for the Program.

Further, one could view the Affordability and Arrearage Forgiveness Credits not as a cost of the Program, but rather as a transfer, or cross-subsidy, from one group of customers to another (and reflecting the benefit received by a subset of ratepayers). From that viewpoint, the cost of the Program only includes the Program administration costs, which are paid for by select classes of

customers under the GAP rider. Subtracting the \$37,778 of credits from the \$50,260 2018 net cost cited by Great Plains, the Department arrives at an annual net cost of \$12,482.

2. Societal perspective

The Evaluation Report also touches on the Program's cost-effectiveness from a societal perspective.

Great Plains' Analysis

Great Plains noted that "there may be a societal benefit that overrides cost-effectiveness" from a ratepayer perspective.¹⁸ Great Plains did not note any specific societal benefits, attempt to quantify this benefit, or determine to what extent societal benefits would offset costs to ratepayers.

Department Analysis

To the extent Great Plains' GAP, or any public policy program, has impacts beyond the direct financial effects to certain groups, those impacts could be considered in assessing whether the Program is worthwhile.

In the case of gas affordability programs, the Department notes two ways that they can benefit society:

1. By reducing negative societal impacts from poverty itself, such as: increased unfairness to children in the form of reduced health, cognitive, and school achievement outcomes of children living in poverty;¹⁹ increased crime and violence;²⁰ increased homelessness; and lower property values;²¹ and
2. By reducing negative societal impacts from income inequality, such as: higher political concentration, inefficient use of human resources, and lower political and economic stability.²²

Direct benefits to participants such as helping them meet financial obligations and otherwise improving participants' welfare may also have knock-on benefits to society. However, for the purposes of this analysis, the Department believes it is more useful to classify the benefits of GAP as the direct

¹⁸ Evaluation Report, page 7.

¹⁹ Brooks-Gunn, J. and Duncan, G.J., 1997. "The Effects of Poverty on Children", *Children and Poverty* 7(2). See Table 1 on page 58.

²⁰ Harrell, E., *et al.* 2014. "Household Poverty and Nonfatal Violent Victimization, 2008-2012." U.S. Department of Justice Special Report, NCJ 248384.

²¹ Galster, *et al.* 2006. "The Social Costs of Concentrated Poverty: Externalities to Neighboring Households and Property Owners and the Dynamics of Decline." Paper for presentation at the Revisiting Rental Housing: A National Policy Summit Joint Center for Housing Studies, Harvard University, Nov. 14-15, 2006.

²² For more on the benefits of reducing income inequality, see a recent IMF report: "Causes and Consequences of Income Inequality: A Global Perspective" by Era Dabla-Norris and others, published June 2015.

financial benefit received by GAP customers assumed in the ratepayer analysis, since the benefits noted above are essentially describing the qualitative aspect of the dollar amount that participants receive from the Program.

To get a sense of the extent to which the Program benefits society by reducing negative societal impacts from poverty itself and income inequality, the Department estimates how much the Program effectively increased the income of a participant living on the poverty line. Based on Exhibit A of the Evaluation Report, in 2018 the Program increased participants' available income by \$127.31 on average (\$30,299 in total affordability component divided by 238²³ total participants). For a two-person household living on the poverty line (\$16,460 as of 2018), this would effectively increase their income by a little over one percent. One percent is significant, but certainly moderate. The Department would therefore expect that any societal benefits from increasing the effective income of the Program's 238²⁴ participants (as of 2018) are likewise moderate. The Department does not have sufficient information to monetize these benefits, but nonetheless concludes that Great Plains' GAP provides societal benefits.

C. GAP SURCHARGE

The Evaluation Report also discusses the rate of its GAP surcharge that funds the Program. Great Plains currently assesses a \$0.01393/dekatherm surcharge, following Commission approval in its May 22, 2017 Order in Docket No. G004/M-16-495. As of December 31, 2018, Great Plains carried a GAP tracker balance of \$27,373.75.²⁵

Great Plains' Analysis

Great Plains proposed to maintain the GAP surcharge at its current rate of \$0.01393 per Dth. Great Plains stated that it updated its participation rate estimate to reflect the recent increase in Program participation, setting it to 15%, and kept the estimated benefit per participant at \$210 per participant. Great Plains calculated a GAP budget of \$50,000, which, using estimated 2019 sales of 2,699,591 Dth, would require a GAP surcharge of \$0.01852 per Dth to recover. However, accounting for the outstanding tracker balance reduces the necessary recovery for 2019 to \$22,626.25, which would result in a surcharge of \$0.00762 per Dth. Great Plains, however, proposed to maintain the GAP surcharge at the current rate.

Department Analysis

The Department notes that the current rate of \$0.01393 per Dth would recover an estimated \$37,605.30 per year using the Company's estimated 2019 firm sales. This would result in an expected balance at the end of 2019 of \$14,979.05. While reduced, this still represents an over collection on an

²³ Evaluation Report, Page 4

²⁴ 238 total customers participated in the program during 2018, 170 remained on the program at the end of the year.

²⁵ Evaluation Report, page 8 and Exhibit A, Section 3.

account that does not have carrying charges. However, as this rate is currently in effect for 2019 and a substantial portion of the year has passed it is necessary to look at the expected recovery in 2020 to determine if an adjustment to the rate should be made. If the Company continues to meet its budget and has a similar amount of firm sales in 2020, then the tracker balance at the end of 2020 would likely be somewhere near \$2,584.35.²⁶ As this balance is very near to zero the Department concludes that Great Plains' proposal appears to be reasonable.

The Department recommends that the Commission maintain the Company's current GAP surcharge rate and require Great Plains to propose a revised GAP surcharge rate for implementation January 1, 2021 in its next GAP evaluation report.

D. PROGRAM PARTICIPATION

Great Plains' GAP tariff states that the Program is "[a]vailable to residential customers who have been qualified and receive assistance from [LIHEAP]."²⁷ The tariff also states that:

Enrollment participation is limited to a first come first served basis until the estimated GAP dollar cap is reached.

Before the start of an enrollment period, Great Plains will mail information on the GAP and an application to participate in the GAP to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to Great Plains before the close of the enrollment period.²⁸

The Department notes that participation greatly increased in 2018 to a year-end enrollment of 170 participants as compared to just 28 at the end of 2016 and 37 at the end of 2017. Further, the program had 238 different participants during the year, representing 18% of LIHEAP customers. The Department will continue to monitor Program participation.

E. FURTHER EVALUATIONS

The Department notes that Great Plains' GAP tariff requires the following:

The GAP shall be evaluated for the years 2016 through 2018 with an evaluation filed with the Commission by May 31, 2019.

...

²⁶ Expected 2019 ending balance of \$14,979.05 + \$37,605.30 (expected recovery) - \$50,000 (GAP budget) = \$2,584.35.

²⁷ Great Plains Minnesota Gas Rate Schedule, Sheet No. 5-120, under "Availability." Minn. Stat. § 216B.16, subd. 15(a) also defines "low-income residential ratepayers" as ratepayers who receive energy assistance from LIHEAP.

²⁸ Great Plains Minnesota Gas Rate Schedule, Sheet No. 5-121, under "Conditions of Service."

GAP, upon approval by the Commission, is effective unless the Commission, after notice and hearing, rescinds or amends its order approving GAP.

Given that Great Plains' GAP will continue unless rescinded, the Department recommends that the Program continue to be evaluated periodically. Given the Department's conclusion that Company's GAP fulfills the statutory requirements, the Department supports continuation of the Program, with an evaluation report to be filed with the Commission by May 31, 2022. Therefore, the Department recommends that the Commission approve the following tariff language change:

The GAP shall be evaluated for the years ~~2016~~ 2019 through ~~2018~~ 2021 with an evaluation filed with the Commission by May 31, ~~2019~~ 2022.

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the data and analysis that Great Plains provided in the Evaluation Report, the Department concludes the following:

- The Program satisfies the five requirements in Minn. Stat. § 216B.16, subd. 15.
- The Program cost firm customers an average of \$12,482 per year net of benefits.
- For participants living on the poverty line, the Program would have on average increased their effective income by one percent. As such, the Department would expect that the costs to firm ratepayers are somewhat offset by correspondingly moderate societal benefits arising from the increased effective income of the Program's 238 participants.

To ensure a complete evaluation, the Department requests that Great Plains provide any explanation or insight it may have as to why arrears increased for GAP participants in 2016 compared to before those customers entered the program.

The Department recommends the Commission approve the Company's request to waive the tariff requirement to provide a full DCF analysis.

The Department recommends approval of the following tariff language amendments:

The GAP shall be evaluated for the years ~~2016~~ 2019 through ~~2018~~ 2021 with an evaluation filed with the Commission by May 31, ~~2019~~ 2022.

...

The financial evaluation will include a ~~discounted cash flow of the~~ GAP cost-effectiveness analysis from a ratepayer perspective comparing the 1) total GAP costs, which includes the Affordability component, Arrearage Forgiveness component and total company incurred administration costs,

to 2) the total net savings including cost reductions on utility functions such as the impact of the GAP on write-offs, service disconnections and reconnections and collections activities.

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G004/M-19-366

Dated this **26th** day of **September 2019**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_19-366_M-19-366
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-366_M-19-366
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